

Answer the following questions.

1. Where are the traditional economies found?
2. What do these systems characterise?
3. What determines the questions of what and how to produce in the traditional economy?
4. How is the harvest distributed in this type of economy?
5. What countries relied on command economies a few years ago?
6. Who owned and managed the most important natural and capital resources?
7. Who ruled the economy in the command economy?
8. What strategies were applied to distribute goods and services?
9. Who decides the question of What, How and For Whom in the market economy?
10. What is the essential element in the market economy?
11. Is there a pure market economy in the world?

Define the following words and expressions.

remote	tend	distribute
encourage	essential element	margin
isolated	determine	manage
employ	private property	reduce
entire	subsistence level	aid
fixing wage	incentive	purchase
to be engaged	sustain	detailed plan
rationing	profit	blend

1.4. ECONOMIC SYSTEMS

By the time your jeans have faded to the perfect color, you have grown a bit taller, and the jeans are too short. You need a new pair. Where will you get them? Probably you or someone in your family will go to the store. How will you pay for the jeans? You will pay for them with money you or your family earned.

We take this process for granted. Yet it is not a simple one. In order for you to buy a pair of jeans you like in a nearby store, many things had to happen first. Millions of tons of cotton were harvested. Many workers in many factories turned this cotton into millions of pairs of jeans. These jeans were carried by trucks or trains all across the country. Some of these jeans were delivered to your store, where other people earn a living by selling clothing to customers like you.

* * *

We call a nation's way of making, using and sharing things its **economic system**. Some systems are very simple. Others are very complicated. To understand how and why people live as they do, we must know about their economic system. We can ask three basic questions about an economic system. What does it produce? How does the system produce it? Who gets what it produced?

WHAT DO ECONOMIC SYSTEMS PRODUCE?

One purpose of any economic system is to produce what its people need in order to live. Every system must produce things like food, shelter, and clothing. It also must produce whatever tools are needed for getting food, building shelter, and meeting other basic needs. The things an economic system produces fall into two groups—goods and services. **Goods** are things you can see and touch. **Services** are work that is done for people by other people. If you have a job delivering newspapers, you are providing a service. If you work as a babysitter, you are providing a service. The doctor who treats you for illness is providing a service.

Answer the following questions.

1. Why must every group of nation have an economic system?
2. Are all economic systems the same?
3. How do they differ?
4. **Imagine that you need a new pair of jeans.** (make up a story)
 - Where would you go to find them?
 - How would the store have gotten them?
 - How was the factory able to make them?
 - Where did the cloth come from?
 - Where did the clothmaker get the raw material for the cloth?
 - What would you need to buy jeans?
 - Where would this money come from?
5. Imagine that you live on the remote Pacific island where you couldn't buy the clothes you need. (make up a story)
 - How would you go about getting clothes?
 - Compare the simple process of making or getting clothes with the complicated process in your country.
6. What is the difference between goods and services?
7. What examples of goods and services do you see right here in the room or at the Academy?